

Annual Report 1969

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Dart Industries Inc.

Annual Report 1969

Table of Contents

The Year in Brief	2
Letter to the Stockholders	3
Operations Review	6-24
Financial Statements	25-35
Companies and Products	36-37
Directors and Officers	38-39

Annual Meeting

The Annual Meeting of Stockholders of Dart Industries Inc. will be held at 9 a.m. on Tuesday, April 28, 1970, at corporate headquarters, 8480 Beverly Blvd., Los Angeles, California 90048.

Year in Brief

	1969	1968†
OPERATIONS		
Net sales	\$707,489,000	\$647,559,000
Earnings before extraordinary items	44,468,000	37,116,000
Extraordinary items	—	294,000
Net earnings	44,468,000	37,410,000
Earnings per share of Common Stock		
Including Common Stock equivalents		
Before extraordinary items	\$2.28	\$1.86*
Net earnings	2.28	1.88*
Fully diluted		
Before extraordinary items	2.20	1.82*
Net earnings	2.20	1.84*
NUMBER OF SHARES OF COMMON STOCK		
Outstanding at year end	17,092,000	16,831,700*
NUMBER OF SHARES OF PREFERRED STOCK		
Outstanding at year end	2,956,300	2,976,800
AT YEAR END		
Current assets	\$300,368,000	\$279,894,000
Current liabilities	130,336,000	105,455,000
Working capital	170,032,000	174,439,000
Long term debt	77,631,000	82,375,000
Stockholders' equity	344,253,000	306,902,000
DIVIDENDS PER SHARE		
Common Stock		
Cash	\$.30	\$.30
Stock	3%	3%
Preferred Stock	\$2.00	\$2.00

†Restated for pooling of interests.

*Adjusted for 3% Common Stock dividend issued in March 1969.

To the Stockholders:

Dart Industries had the highest earnings and sales in its history in 1969. In the past decade the Company's earnings available to Common stockholders have increased 5 times, for a compound annual growth rate of 19%.

Earnings and Sales—Net earnings were \$44.5 million, equal to \$2.28 per share of Common Stock after Preferred Stock dividends, 42¢ or 23% ahead of 1968. The 10% Federal tax surcharge reduced earnings for the year by 21¢ per share.

The Chemical, Plastics and Glass Containers Groups, benefitting from improved market conditions and expanded production facilities, accounted for 37% of sales and 42% of profits before taxes.

The Direct Selling and Consumer Products Groups accounted for 36% of sales and 48% of pretax profits. Results were affected by the increased costs connected with the startup of direct selling cosmetics operations. Both Tupperware and West Bend Divisions posted good increases over 1968.

Drug-related activities (Rexall and Riker Groups) contributed 27% of sales and 10% of pretax profits. Operations were affected by startup costs connected with the introduction of an automated production line for the manufacture of disposable surgeons' gloves at Seamless. The

Seamless Company, a manufacturer of hospital supplies, was a part of the Riker Ethical Drug Group but was not included among the operations sold to The 3M Company.

International Operations—Operations outside the United States provided 15% of sales and 19% of earnings in 1969. Cash flow generated by operations abroad and our borrowing ability in international markets have enabled us to continue to grow while complying with the Executive Order of the President of the United States which restricts domestic corporate funds for overseas investment purposes.

Dividends—Quarterly cash dividends on Common Stock totaled 30¢ in 1969. Semi-annual dividends totaling \$2 were paid on the Preferred Stock. The Company has paid a 3% Common Stock dividend each year since 1959. This dividend was paid in March, 1969, and another one was declared for payment in 1970.

Financial Position—The Company's already strong balance sheet was further strengthened in 1969. No domestic borrowing was necessary during the year and long-term debt was reduced by \$4.7 million to \$77.6 million. Debt was 22% of Stockholders' Equity at year-end, while in 1960 debt was 46% of Stockholders' Equity. This

improvement is indicative of a decade of growth based principally on the use of internally generated earnings and equity rather than debt.

There has never been a time when liquidity—the availability of cash for corporate purposes—was more important. Cash position including short term securities was \$33 million at year-end. While this is down from \$56 million at December 31, 1968, we have accomplished necessary build-up of inventories at Thatcher Glass, West Bend and Vanda Beauty Counselor. In addition, we have made cash outlays of approximately \$4.5 million supporting our entry into land development.

The 1,483,489 shares of Common Stock of The 3M Company received in 1970 for the sale of Riker Laboratories will add further strength to an already excellent financial position.

Other Ratios—Return on Stockholders' Equity, 12.8% in 1968, improved to 13.7% in 1969. Net earnings as a percent of sales increased to 6.3% in 1969 compared with 5.7% in 1968.

Sale of Riker Laboratories—On January 6, 1970, as reported to you, we completed the sale of Riker Laboratories and the related proprietary drug operations in Great Britain to The 3M Company for 1,483,489 shares of 3M Common Stock.

At no time was Riker

Laboratories for sale. However, The 3M Company, with its tremendous research and development capacity, wanted to acquire it. We believe that 3M is one of the great companies of the world and that it probably can create out of the broad spectrum of its research more meaningful and efficacious drug products than we could. This is of great importance since government policies make development of new drugs increasingly costly. In ethical drugs *research* is the name of the game.

The price 3M was willing to pay in terms of its own shares was equally compelling. We feel we can eventually put these funds to more productive use.

To the present and former Riker chief executives, Dr. Stutzman and Dr. Maison, and their associates, we say — "Thank you for building this fine company. We feel that 3M can give you better opportunities than you had with Dart Industries. Our best wishes go with you. Our close friendships will always be cherished and maintained."

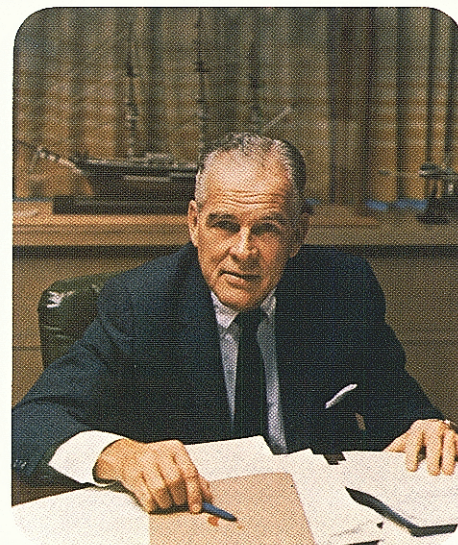
Under terms of the agreement we cannot sell more than 25% of our 3M stock holdings in each of the next two 12-month periods from January 6, 1970. Our job encompasses putting the proceeds from the sale to work, first to replace and then to improve on the earnings lost from sale of these properties. Riker earnings in 1969 amounted to about 25¢ per

share after tax. Dividends to be received from The 3M Company, at present rates and assuming retention of all the 3M stock, come to 14¢ per share of Dart Common Stock after tax.

Rexall Proprietary and Franchise Operations—In last year's Annual Report we told of the agreement for the proposed sale of the Rexall retail and franchise proprietary drug operations to Commonwealth United Corporation. As you know, the transaction was terminated in August, 1969, when Commonwealth did not meet the terms of the agreement. At that time we retained the \$5 million down payment paid by Commonwealth. A dispute with Commonwealth over this down payment has been settled on the basis that we retain \$4 million, and we have returned to Commonwealth \$1 million. This action was considered and approved by the Board of Directors on January 27, 1970, with the concurrence of legal counsel.

Our task continues to be improving the profitability of the Rexall drug operation.

New Venture — Land Development — Dart Properties has been formed to serve as a platform for the Company's entrance into the land development field. Studies made during 1969 had shown that this field met our criteria for a new marketing area where the



Justin Dart, Chairman of the Board and President.

potential for annual growth and return on investment is well above the average for industry in general. It is also a field in which our strong cash position will enable the Company to purchase desirable land at advantageous prices. The growing popularity of second homes along with the increases expected in both new family formations and disposable income also make land development an attractive platform for growth.

In view of these factors, we anticipate that this new venture could eventually more than replace the earnings lost through the sale of Riker Laboratories and provide additional impetus for continued growth.

Other Recent Events — The Company reached a preliminary agreement March 4, 1970, with Rival Manufacturing Company, Kansas City, Mo., manufacturer of portable electric appliances including can openers, blenders, and ice crushers, for the merger of Rival into our Consumer Products Group. Terms call for the exchange of .6 of a share of Dart Common Stock for each of Rival's 1,045,482 outstanding shares for a total of 627,289 Dart Common shares. A definitive agreement, approvals of both companies' Boards, and approval of Rival's stockholders will be required for completion of the merger. For 1969, Rival Manufacturing reported sales of \$27.7 million and net operating income of \$2.2 million.

During February, 1970, the Company agreed to acquire Electrochemicals, Inc., Cleveland, Ohio, manufacturer of brighteners, strippers, and additives for the electroplating industry, for 21,000 shares of Dart Common Stock, and Universal Vacuum Products, Inc., Hartford, Conn., manufacturer of glass vacuum bottles, for approximately \$325,000. Electrochemicals will operate as part of the Chemical Group's Chemical Specialties activities, and Universal will be part of the Consumer Products Group.

Corporate Executive Appointments— Joseph Hara, president of Tupperware

Home Parties, and James R. Brown, president of The West Bend Company, were elected to the Board of Directors in recognition of their contributions to corporate growth. Curtis Barkes, vice president, UAL, Inc., the parent company of United Airlines, has also been elected to the Board of Directors. Mr. Barkes, United Air Line's chief financial officer, brings to our Company one of the strongest financial backgrounds in the country.

F. Thatcher Lane, Dr. George Maison and Dr. Jacob Stutzman have retired from the Board of Directors. Their contributions to the Company's progress have been many and appreciated.

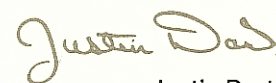
Thomas D. Morris, formerly Assistant Secretary of Defense, was appointed Vice President-Corporate Development in September, 1969.

William R. Palmer, in charge of corporate accounting since 1965, was made corporate Controller in January, 1970.

Corporate Name Change—Stockholders at the Annual Meeting on April 22, 1969, voted to change the corporate name from Rexall Drug and Chemical Company to Dart Industries Inc. At the time, the name change was required by the proposed sale of the Rexall drug operations. In addition, it was felt that the Rexall name, associated as it was with proprietary drug operations, was very limiting as a description of a

broad-based consumer and consumer-related products company. Prompt recognition for the new name within the financial community has been achieved.

Outlook—In view of the Government's efforts to slow inflation and economic uncertainties, we can be, at this time, only cautiously optimistic about results for 1970.

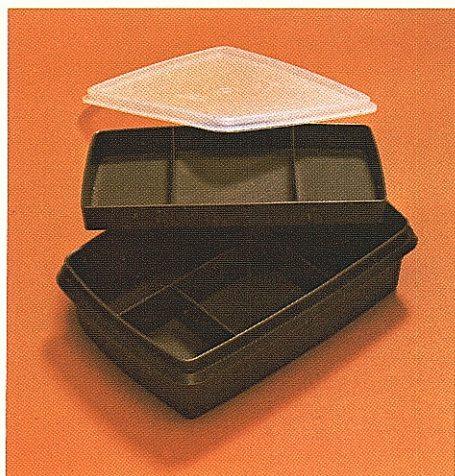


Justin Dart
Chairman and President

March 10, 1970

Direct Selling Group

Growth and innovation continued to characterize the Direct Selling Group efforts during 1969. In the dynamically growing field of direct selling the Group has achieved a position of leadership through its Tupperware Division and is pursuing a great opportunity in its Vanda Beauty Counselor Division.



Participation in world-wide markets is an integral part of the Group's present and future planning. To this end we can report that the major Tupperware plants to support the anticipated growth overseas are already in place. Distributorships now exist in more than forty countries. Also, direct selling cosmetics operations outside the U.S. are now established in Australia, Canada, England, France, Italy and Mexico.

To improve operating efficiencies and Group management control of

expanding activities and to provide additional needed space, the headquarters for both Divisions will be located on Company property in Orlando, Florida, currently the headquarters for Tupperware. A new Tupperware world headquarters office is under construction and is scheduled for completion in the second quarter, 1970. The site is within a few miles of the new Disney World, under construction in the Orlando area. We hope that stockholders visiting this attraction will also visit our Direct Selling Group headquarters.

Tupperware®

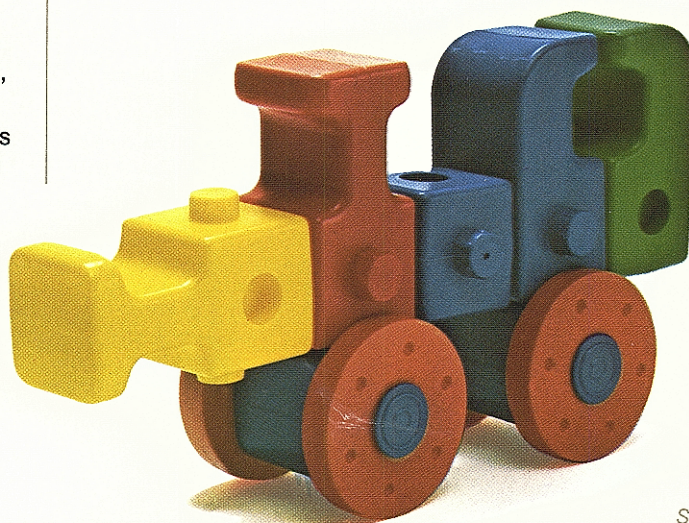
Tupperware plastic food serving containers and children's toys are sold through the home party plan throughout the free world. Under this popular plan, sales of the Tupperware Division have advanced every year since it became a part of Dart Industries in 1958.

Tupperware products, made of specially formulated materials, are subject to the most rigid quality control standards. They are manufactured on the finest quality molds by the Division's master craftsmen using the most modern machine tools.



Hamer Wilson, Chairman, Direct Selling Group; Executive Vice President of the Company (right), and Joseph Hara, President, Tupperware Home Parties, with model of new Tupperware World Headquarters being built in Orlando, Florida.

Homemakers, attracted by the unequaled quality of Tupperware, find its air-tight seal a unique feature which aids in food preservation. These features are demonstrated and sold in the party hostess' home by dealers. Supporting and guiding the tens of thousands of dealers are unit managers



Far left, Tupperware's STOW-N-GO—just right for keeping things organized. Left, KUP-L-UPS toys—brightly colored shapes that create any number of toys. Right, a selection of Tupperware.



and independent distributors. The strength of the Tupperware organization lies in the coordinated efforts of all of these people backed by a skillful headquarters staff.

Fourteen plants throughout the world manufacture Tupperware. The newest U.S. plant in Halls, Tennessee, became operational in the first quarter, 1969, and is currently being expanded to double its capacity. The



new addition is scheduled to begin production during the first quarter, 1970.

United States Operations—Contributing factors to continued growth in the United States included increased popularity for both Tupperware and the home party method of selling. An aggressive recruiting program resulted in a substantial increase in the field sales force. This, plus the addition of new distributors, provided better market coverage.



A new training program designed to increase the effectiveness of both the new and already capable Tupperware dealers was introduced. Based on a series of training films, the program, involving a substantial amount of time and money, should make a strong contribution.



Operations Overseas — Operations of the Pacific group and in Europe had the highest percentages of increase of all areas. The improvement was broadly based among the western European nations in which we operate. Results from the Pacific group, which includes principally Australia, Japan, Philippines and Malaysia, reflect the improvement in distribution operations.

Development of the markets in Mexico, Central and South America has not progressed as rapidly as expected. Management changes have been made and progress is anticipated during 1970.

Research and Development—The success of the Tupperware companies is a combination of product, plan and people. The product is based on both world-wide research into consumer needs and the search for special use items and unique features. Some of the products introduced in 1969 are shown on these pages. New products and features to be introduced in 1970 should substantially enhance the usefulness and appeal of Tupperware.

Far left, Tupperware coffee-tea canister set — keeps ground or instant coffee, bulk tea or tea bags in "freshly opened" condition.

Above, Serve-ette—the white bowl snaps into the sandalwood tray for easy serving. Left, PAR-T-JEL — a new and different gelatine mold by Tupperware.

Vanda Beauty Counselor®

The cosmetics and toiletries market is a \$3 billion business and the trend is upward. Direct selling represents an important portion of that volume. Vanda Beauty Counselor products are sold through the person-to-person plan, a convenient way to purchase cosmetics and toiletries in the comfort of the home. In 1969, a new product line was produced and introduced, national advertising was initiated and unique promotional materials and sales aids were made available to the sales force.

Research by Company scientists and chemists has been instrumental in the development of new products to be introduced in 1970. In addition, their research has resulted in improvements in existing products.

United States Operations — The objective for the further development of the Vanda Beauty Counselor operations in 1969, as stated in last year's Annual Report, was to produce and market a unified product line by the end of the year.

This was accomplished. Also, Vanda, Beauty Counselor and Cort/Romney sales organizations were consolidated into one, selling the same products on the same plan.

Conversion of the sales organization to the Distributor Plan, under which products flow from the Company to a distributor to a Counselor for sale directly to the consumer, was also completed. All Vanda Beauty Counselor products are now marketed through a network of independent distributors. Each distributor provides motivation and training, in addition to merchandise, to the Counselors.

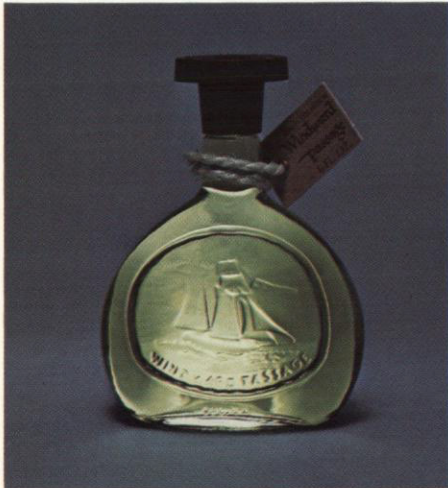
"We Come Counseling" is our marketing theme and reflects the

Company's philosophy of operation. With this concept, Vanda Beauty Counselor is unique among the leading direct selling cosmetics companies in providing personalized counseling services which women



Left, Resplenda lotions and creams provide the ultimate in care for all types of skin. Above, from Vanda Beauty Counselor—a selection of products introduced in 1969.





today desire. Our Counselors are being trained and equipped to provide such services direct-to-the-consumer. Counselors start 1970 with 240 new or completely repackaged products and 70 new sales aid (demonstration) products. The new line includes items for every member of the family with products in the following major categories: skin care, bath, makeup, fragrances, daily-need toiletries, men's grooming and children's products. Selection in each category was made on the basis of providing consumer value and appeal, demonstrability of features, and convenience of use and application.

International Operations—Direct selling cosmetics operations in international markets were expanded with the acquisitions of the House of Romney and Ebor Cosmetics S.A.

de C.V. The House of Romney broadened the base of existing operations in the United Kingdom and Italy. Ebor, headquartered in Mexico City, has a Counselor force in ten of Mexico's largest population centers.

During 1970, the introduction of the new Vanda Beauty Counselor line into countries outside the United States will be continued. The first market to change over completely to



the new line will be Canada and the first products were introduced there in January, 1970. Initial steps have been taken to combine operations of our companies in France, England and Italy. Later this year the new product line also will be introduced into Australia where Beauty Counselor is well established. Additional countries in which operations are planned to start in 1970 include Puerto Rico, South Africa, Lebanon, Spain and the Scandinavian countries.

After-shave lotions, shampoos and special packaging show that men, women and children are remembered in the Vanda Beauty Counselor toiletries collection.



**To Stockholders
Who Would Like to Take an
Active Part in Their
Company's Growth:**

Vanda Beauty Counselor, our new direct selling cosmetics division, is one of the most important undertakings your Company has initiated. The success of its operations represents one of the greatest opportunities for growth in our corporate history. We want to enlist your support as a stockholder. You can help yourself and your Company if you use Vanda Beauty Counselor products and see that your friends get to use them.

We would like you to get to know this company and its products first hand. The best way is to arrange for a Counselor to visit your home. Your Counselor will be pleased to give the lady of the family a free skin care and make-up analysis, using our exclusive Selectra technique, and to present her with a *personalized Guide to Beauty* booklet.

Please fill in this self addressed card, detach and mail (no postage stamp necessary) and we'll arrange for a Counselor to call on you.

Justin Dart
President

(Detach For Mailing)

☐ I am interested in having a Vanda Beauty Counselor call.

Name _____

Address _____

City _____

State _____

Zone _____

Phone _____

(No Postage Required)

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BUSINESS REPLY CARD

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Vanda Beauty Counselor
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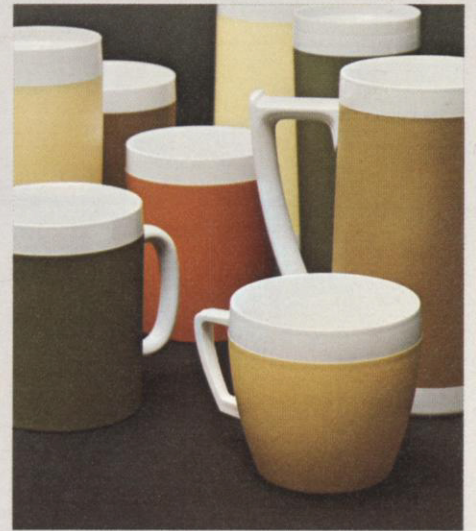
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Consumer Products Group

Consumer acceptance for products of both the West Bend and Home Furnishings Divisions increased in 1969. Particularly important was the continued penetration by The West Bend Company of the market for cooking utensils, small electric appliances and humidifiers.

The scope of the Consumer Products Group was broadened during



1969 with the addition of new products including cushions, pillows and hassocks and picture frames and framed prints and oils.

In January, 1970, Nappe-Smith, Farmingdale, N.J., a manufacturer of highly styled insulated bags and thermal containers, became part of the West Bend Division, adding to an expanding list of products sold to the consumer.

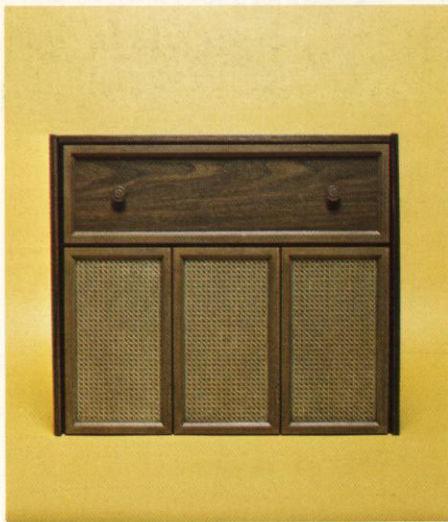


*Above, popular Party Perk in stainless steel by West Bend.
Right, insulated drinking cups, mugs and steins by Thermo-Serv.*

West Bend Division

The growth of West Bend-U.S. in 1968, its record 1969, and its long range prospects have required a considerable expansion in plant capacity. Three major projects totaling 383,000 sq. ft. were completed in 1969 at the West Bend, Wisconsin, Sheridan, Arkansas, and Anoka, Minnesota, facilities. Ground was broken in December, 1969, for an additional 275,000 sq. ft. plant in West Bend to be completed by year-end, 1970.

New products continue to be the cornerstone of West Bend's growth. In January, 1970, West Bend scored another industry first when it introduced Town House stainless steel cookware — the first porcelain-on-stainless steel line available.



J. R. Brown, President, The West Bend Company (left), and R. D. Ziegler, President, Consumer Products Group.



Meanwhile, the popularity of the Country Inn line (porcelain-on-aluminum with Teflon-coated interiors) continues. Accordingly, West Bend has two premium lines with color — one of aluminum with Teflon and the other of stainless steel.

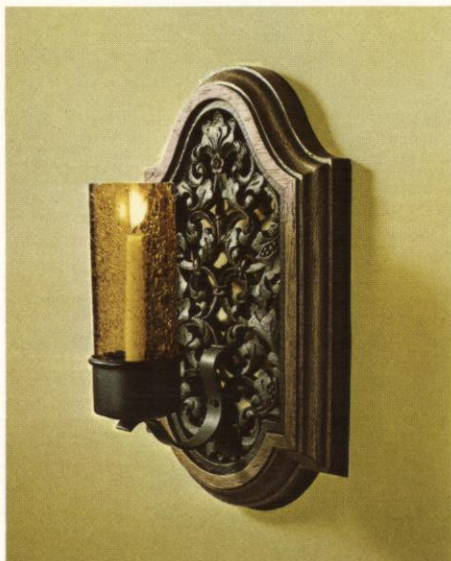
To increase market penetration further, additional channels of distribution are being developed for promotional porcelain cookware and new colors are being added to pantryware. In addition, recruiting and training activities are being accelerated in specialty cookware which is sold directly to the home and additional production facilities have been provided for humidifiers and colored portable appliances.

Record years also were experienced at West Bend of Canada, which services the Canadian



Left, West Bend's newest humidifier uses solid-state electronic circuitry to automatically keep home spring-time fresh all winter long. **Center**, gourmet French-style skillets — new from West Bend. **Above**, a new color, Paprika, joined Avocado and Harvest in the popular Country Inn line of cookware (porcelain-on-aluminum with Teflon II*-coated interior). **Right**, just introduced in 1970 — another West Bend first: Colorful Town House™ porcelain-on-stainless steel cookware.

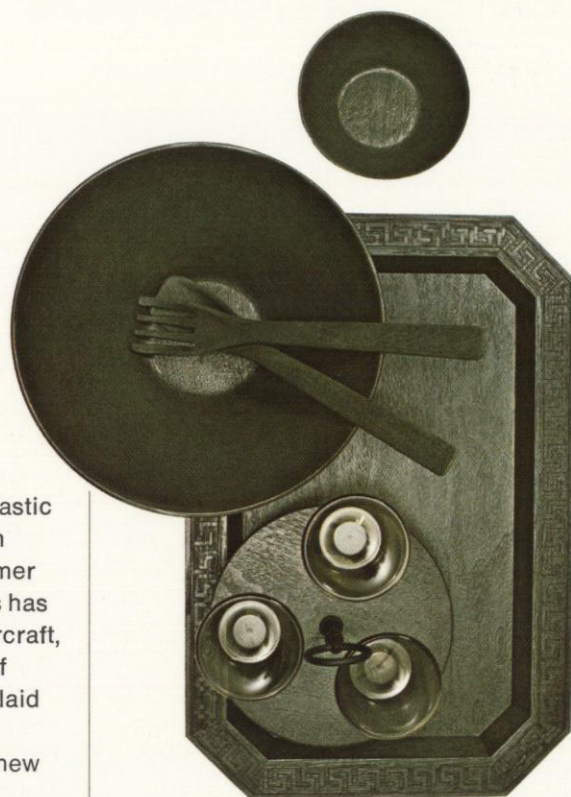




market with a broad line of cookware and portable appliances, and at Thermo-Serv, Inc., producers of insulated and non-insulated plastic serving ware for household and institutional use. Thermo-Serv has expanded its Westwood line of wood-grained plastic products to include Mediterranean and Heritage Oak finishes. Consumer acceptance of these new products has been exceptionally strong. Coppercraft, manufacturer and merchandiser of giftware directly to the consumer, laid the groundwork for improvement in 1970 through development of a new sales program.

Home Furnishings Division

Syroco, a leading manufacturer of decorative accessories for the home, introduced a number of products of striking new design to bolster its sales. Decorative tables, introduced in 1968, met with excellent consumer response which encouraged the company to double the number of items in the line



in January, 1970. Syroco Art™, a new product line of originally framed paintings, was introduced in June.

A 250,000 sq. ft. addition to the Syracuse, N.Y., plant will be completed in 1970 and permit consolidation of all manufacturing and warehousing.

The Canadian market for decorative accessories is just developing. Syroco Canada, Ltd., is in a good position to penetrate it substantially with an expanded product line and a new 55,000 sq. ft. plant occupied at year-end, 1969.

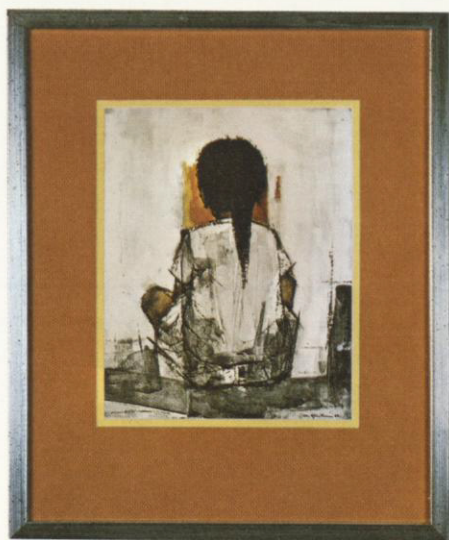
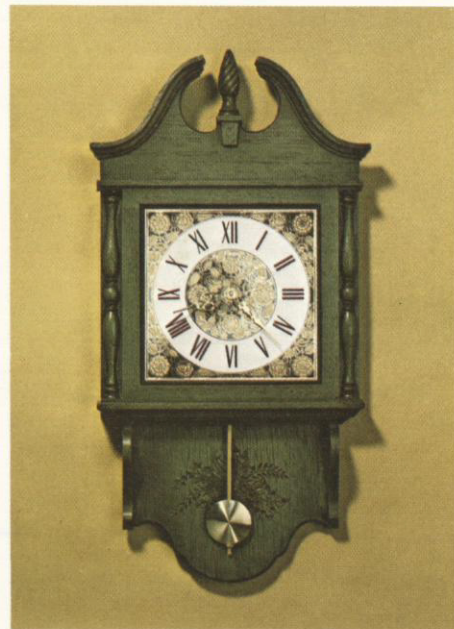
Babcock-Phillips produces a quality line of hassocks, cushions, pillows and

Above left, Syroco wall sconce provides opportunity for dramatic wall grouping. Left, Babcock-Phillips chaise cushion designed for outdoor lounging. Above, Westwood simulated wood-grain finish serving ware by Thermo-Serv.



outdoor furniture accessories. Innovations in hassock styling and color are expected to contribute to continued growth. Limited production has started on the West Coast and will improve the company's ability to serve Western markets.

Reliable Manufacturing makes and distributes picture frames and framed prints and oils. In addition to traditional wood frames, plastic and aluminum frames were introduced in anticipation of modern trends. The company operates as a lessee with over 60 outlets in some of the nation's leading department stores. Reliable also manufactures private label merchandise for Syroco and others.



Top, Syroco decorative table with hand-wrought details accurately reproduced. **Above**, one of a unique selection of Reliable Manufacturing brush stroke reproductions, original oils and prints on canvas. **Above right**, Early American pendulum cordless wall clock by Syroco. **Right**, Nappe-Smith handsome and functional insulated picnic and tote bags keep food and beverages hot or cold.



Glass Containers Group

Record results were attained by Thatcher Glass in 1969. During the year an extensive program to increase productivity, involving both plant modernization and addition of new productive facilities, was completed. The resulting manufacturing



F. B. Pollock, Chairman, and J. T. Pollock, President, Thatcher Glass.

efficiencies and additional capacity contributed to the record year, along with increased demand for beverage containers.

All operating plants participated in the improved results with the exception of the Wharton, N. J., facility, where start-up problems were experienced relating to the doubling of that plant's capacity. The increased work force at Wharton has now stabilized and better results are

Convenience packaging by Thatcher Glass.

Chemical Group

expected from this facility in 1970.

Property was acquired for a new plant in Fredericksburg, Virginia, and while engineering work is progressing, a firm date for starting construction has not been established.

Projections of demand for glass containers for the first five years of the seventies indicate full utilization of the existing productive facilities of the industry.

Research — The research program at Thatcher Glass Manufacturing is focused on the melting and workability of glass and its automatic inspection.

Research in support of "triple gobbing," a manufacturing technique introduced by Thatcher for making three glass containers at once, concentrated on techniques for speeding up the glass melting process and the high speed inspection of finished products. In the latter area, Thatcher research perfected advanced inspection equipment to help assure dimensional and quality standards required by mass packagers of foods and beverages.

Thatcher also continues its pioneering research into air and water pollution control in its bottle-making operations. From its position as a leader in the installation of air scrubbers on its furnaces, the company has progressed to the development of superior performing furnaces that pass stringent pollution control regulations.

The strong improvement over 1968 experienced in Group operations was broadly based among polymer and chemical specialties activities.

Chemical Group products include ethylene, propylene, plastic raw materials, dispersions of fiberglass in thermoplastics, dispersions of colorants in plastic raw materials and liquids, catalysts and special control equipment. A joint venture with El Paso Products Company, a subsidiary of El Paso Natural Gas Company, produces olefins, polyethylene and polypropylene. Plastic films are made by Consolidated Thermoplastics Company, jointly owned with El Paso Products Company. Styrenic polymers and chemical specialties activities are wholly owned by Dart Industries.

Management has been strengthened through addition of two new executive vice presidents and by management realignments. Early in 1970 we were fortunate in securing the services of R. T. Kelley, who became Executive Vice President for Chemical Specialties, and Dr. A. B. Finestone, Executive Vice President for Development and Engineering. They join E. W. Phares, Executive Vice President for Polymer activities, and R. M. Knight, Group President, in rounding out the top management team.

Polymer Activities — In line with the change in corporate name, Rexall



R. M. Knight, President, Chemical Group.

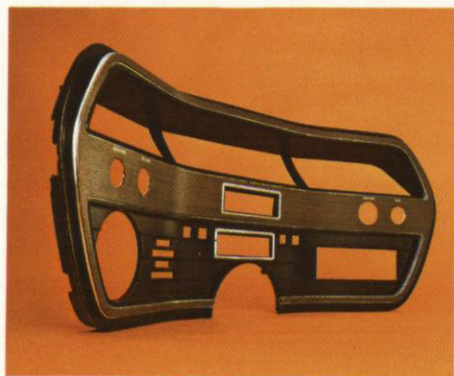
Chemical Company became Rexene Polymers Company. An advertising campaign was initiated in chemical industry publications to aid in developing customer recognition of the new company name and acceptance for its quality resins.

Increased low-density polyethylene selling prices, higher sales volumes and an improved product mix each contributed to the improvement in joint venture operations. Both polyethylene and polypropylene plants operated at capacity for most of the year and a program has been initiated to increase olefin and polyolefin capacities at the Odessa, Texas, site in view of the growth prospects for plastic raw materials.

Last year, a plan to increase

polypropylene capacity by 25 million pounds by year-end, 1969, was reported. The expansion was successfully brought on stream on schedule. The Board of Directors has approved adding 50 million additional pounds capacity, which will bring polypropylene capacity to 130 million pounds by early 1971.

In a related move olefins capacity will be increased by early 1971 to 675 million pounds from 550 million pounds. Olefins (ethylene and propylene) are the feed stocks for the polyethylene and polypropylene plants. On completion of the program, the Odessa facility will be balanced between feed stock availability and polymer capacity, providing the opportunity for further enhancement of the return on investment.



Results of styrenic polymer operations, which include crystal polystyrene, oriented polystyrene sheet, foam beads and acrylonitrile-butadiene-styrene (ABS), were

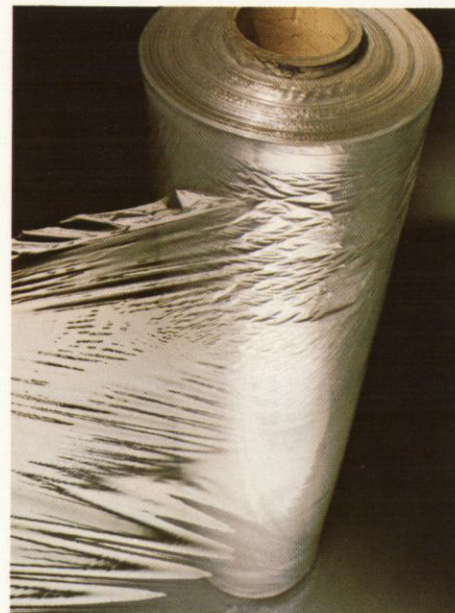
improved over 1968. However, extent of the improvement was affected by startup of two new plants in Joliet, Illinois, manufacturing crystal and expandable bead polystyrene. Demand for ABS continued to improve, particularly for automotive and camper applications and luggage, but operations were below break-even. New formulations and formulation capability will improve our competitive position in ABS in 1970.

Southwest Latex Company, which was organized in 1966, produces styrene butadiene latices, widely used as a coating for paper, in carpet backing and in paints. The market for this product offers attractive growth opportunities. The use of latex for disposable items, such as paper clothing and draperies, represents good growth potential.

Plastic film operations at Consolidated Thermoplastics were improved by increased volume.

Chemical Specialties — Chemical Specialties activities were much improved over the prior year.

Wilson Products provides color concentrates for plastic products. Demand continued to improve with results well ahead of 1968. Customer acceptance has increased steadily through Wilson Products' growing reputation for quality and service. Markets have been broadened both here and abroad. Increased use of plastics in automobiles has been



a positive factor for the company. In addition, the growing acceptance of artificial turf for athletic fields represents an important new market in which Wilson colorants' quality places the company in an excellent competitive position.

Fiberfil Company, which makes glass reinforced thermoplastics used to provide plastic products with additional strength, gained increased acceptance for its products in 1969 over the prior year. The new facilities which came into production at the end of 1968 and during 1969 placed the company in an excellent position to meet demand generated by the switch of the automobile industry to reinforced thermoplastics for

Left, automobile panel using Fiberfil molding compounds.

Above, plastic film from Consolidated Thermoplastics.

Right, a variety of products made from Rexene polymers (color by Wilson Products).

a growing number of auto parts. These applications progressed to the point where hopper car and tank truck shipments are now made to large fabricators.

Catalyst activities are represented by Aztec Chemicals and PureChem. Good progress was recorded by Aztec, which makes organic peroxides and peresters used in production of thermoplastic raw materials, thermoset resins, and in the bleaching of flour. PureChem, a start-up company, makes titanium trichloride, a catalyst used in polypropylene manufacture. It is one of two manufacturers of this catalyst. During 1969, the task was begun to secure both qualification and acceptance among polypropylene manufacturers.

Development and Engineering—We continue to accrue the benefits of Research Center operations in Paramus, N. J. The Center represents both a source of licensing income, based on new production processes Center scientists have developed, and a resource available to all Dart Industries' companies.

Presently under development are new catalysts and new polymers with characteristics for specific end product applications, including fire retardant polymers.



Plastics Group

The principal companies comprising the Group represent a reservoir of technological strength in the processing and marketing of a variety of plastic materials and products. The Group can move from the base of current businesses in a number of directions to take advantage of developing market opportunities and consumer preferences.



D. H. Brewer, President, Plastics Group.

Improvement over 1968 results was achieved in each of the five categories into which operations of the Group are divided—architectural products, styrene containers, packaging, illuminated identification signs and processing.

Architectural Products — The Architectural Products Division is



involved with the growing demand for better design and function for the inside surfacing of both old and new homes. Results at Ralph Wilson Plastics, whose "Wilson-Art"® high pressure laminates are used as surfacing materials for walls, doors, furniture, cabinets and counter tops, improved in the face of the slow-down experienced by the building industry in 1969. The company's ability to service customers with high-quality products overnight from nine strategically located warehouses is a major contributor to the increased acceptance of "Wilson-Art" among specifying architects and building contractors. Fabrovin, which makes vinyl-coated wall coverings, and Panel Products, manufacturer of wood-grain vinyl-clad wallboard, are essentially start-up companies. Product and distribution system changes introduced in 1969 and projected for 1970 are expected to provide a better base for improved operation.

Styrene Containers — Strong customer demand for foam cups and containers, coupled with improvement in manufacturing techniques and marketing controls, contributed to the substantial growth at Thompson Industries and the recovery of results at Rexcel.

Thompson's eight foam-cup plants operated at close to capacity, aided by the successful introduction of new products, including 32-oz. and 170-oz. foam containers for carry-out



Above left, White Metal (metal tubes) and Thatcher Plastic (plastic tubes and closures) package a variety of consumer products. Above, design-coordinated products from Architectural Products Division include "Wilson Art," Fabrovin and Vy-Panel.



meals. Very well-received were foam cups packaged for sale to the consumer through retail outlets. Design of a new clear-plastic tumbler for home and commercial use was completed with initial production now under way.

In view of the prospects for Thompson, one new plant is planned and two existing plants will be replaced with larger facilities.

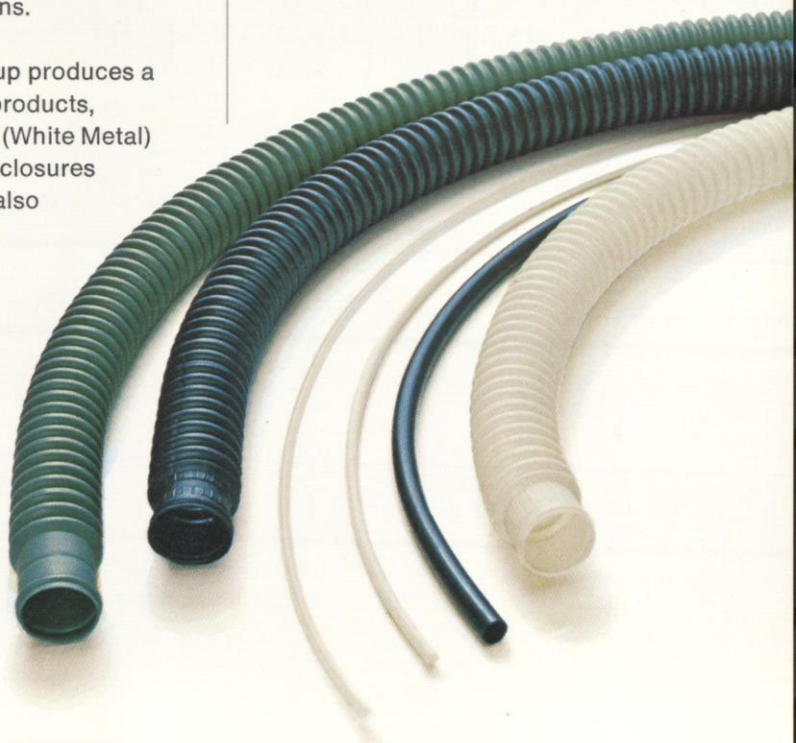
Signs — Both Plasti-Line and Epcon manufacture and install national trademark illuminated signs, with

Epcon serving principally the Northwestern United States. While results at Epcon were essentially the same in 1969 and 1968, impressive progress was made at Plasti-Line in bettering both its competitive and manufacturing positions.

Packaging — The Group produces a variety of packaging products, including metal tubes (White Metal) and plastic tubes and closures (Thatcher Plastic). It also

manufactures and sells plastic bottles overseas. While operations at White Metal were affected by the changeover to internally lacquered tubes by major dentifrice manufacturers, results from plastic tubes and closure operations at Thatcher Plastic were up because of increased sales and productivity improvements. International packaging operations were much improved.

Processing — Special compounding processes creating proprietary materials are an important part of each company in this division. A new plant for Colorite garden hose was started up in 1969 in Ridgefield, N. J., and is yielding considerable improvement in manufacturing efficiency. Additional capacity was added to Action Plastics' new satellite plant in Clinton, Ill., for manufacture of extrusions for pens and dip tubing for aerosol application. American Gasket's new proprietary rubber compounds have been approved for use by major aerosol valve producers. Output of the new Belgium plant for both Action and American Gasket rose encouragingly in 1969.



Above, a selection of containers from Thompson Industries.

Right, Extrusions for swimming pool hose and other products from Action Plastics.

Rexall Group

This group comprises Rexall Drug Companies in the U.S., Canada and South Africa, Liggett and Drug King company-owned stores and Rexall Realty Corporation.



R. T. Beattie, Chairman, Rexall Group.

Rexall Operations — Most of the necessary changes involved in the reorganization of Rexall Drug Company, begun two years ago, have been completed.

During 1969, the consolidation of all operations at the St. Louis plant was accomplished with the completion of the move of administrative,

marketing and accounting functions from Los Angeles.

As part of the reorganization and to improve services to Rexallites, three West Coast warehouses were replaced by one new, modern distribution center in Reno, Nevada. In addition, warehouses in Chicago and Baltimore were closed, with service for customers in these areas now coming from St. Louis and other Eastern warehouses.

The Rexall line is being examined product by product, and those not up to volume or profitability standards are being eliminated, thus relieving the company of marginal and slow-moving items. When this program is completed in 1970, the product lines will be reduced by approximately fifty percent.

Concurrent with the product elimination activity, several very high-volume products have been introduced. Additional ones are planned for introduction in 1970,

including a limited line of cosmetics which will carry the well-known and established Cara Nome label.

To promote Rexall products, a year-round schedule of television advertising was begun, principally using the TODAY show. Rexallites supported this program with substantial "in-store" displays and local advertising. Use of TV will be expanded in 1970 to include the TONIGHT show. In addition, Rexall will continue its well known One Cent Sales and seasonal promotions.



Corporate Group

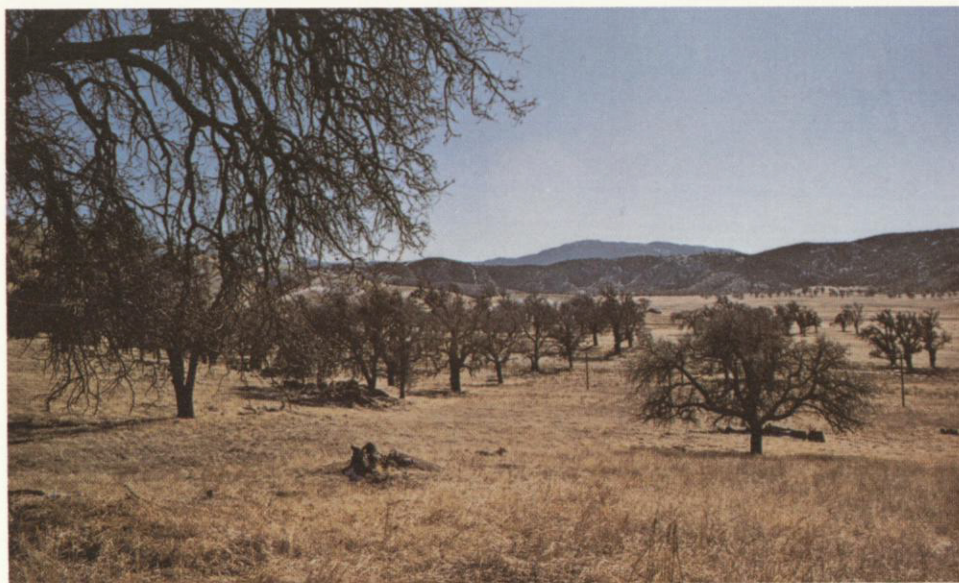
The Corporate Group provides staff services covering a wide variety of skills in support of management. The corporate staff provides specialized services to the Group Presidents on request and reviews Group performance on a continuing basis.

The Corporate Group also provides a center for the supervision and operation of areas of new opportunity. Highlights of several of these operations, which represent marketing opportunities for Dart Industries, follow:

Land Development—Dart Properties serves as a platform for the Company's entry into land development. G. G. Cowan, who had headed Financial Analysis and Planning

activities in the Corporate Group, was named President. Dart Properties will have the responsibility for developing the Company's recent land acquisitions, searching out new real estate opportunities and providing staff services in managing real estate holdings of other divisions.

The Company made two land acquisitions in 1969—one is located 2½ hours driving time north of Los Angeles and comprises 23,000 acres of land in the Tehachapi Mountains; the other project covers 400 acres in Victorville, Calif., within two hours driving time northeast of Los Angeles. Both are well located to capitalize on the growing recreation-oriented second home needs of the Los Angeles area.



Left, Rexall best selling proprietary drugs and toiletries. Above, part of 23,000 acres to be developed by Dart Properties in Tehachapi Mountains—2½ hours driving time north of Los Angeles.



G. J. Daly, Executive Vice President, Finance and Administration, and Treasurer.

Sales at the Victorville project will begin in March, 1970. The Tehachapi Mountains project sales are scheduled to commence in the Fall.

Technical Development—The Technical Development Department searches for new products for the Company and assists divisions in the development or improvement of existing product lines.

Last year we reported on a dual dispensing system that permits the packaging within a single aerosol container of two ingredients that must be kept separated until they are used. The two ingredients then can be dispensed simultaneously as a single product.

Design and testing of the dual dispenser now is complete and its performance has been demonstrated in an improved hot shave foam for men, to be test marketed this spring. Now under active development are four products which will be test marketed in 1970. Licensing agreements already have been executed with major U. S. and overseas companies for the packaging of two of these products.

Bonus Gifts — In the Bonus Gifts program, packaged goods of participating manufacturers carry Bonus Gift coupons, which are saved by consumers. Consumers can redeem these coupons either for cash or for trading stamps.

As noted in last year's Annual Report, Dart Industries and the Glendinning Companies, Inc., Westport, Conn., well known marketing consultants, now have equal ownership of Bonus Gifts, Inc. and Glendinning personnel have been in charge of operations.

Results for 1969 were encouraging. Trading stamp companies representing 85% of that industry are in the program, and there has been active participation by the retail trade and the consumer. Surveys show 79% awareness of the program among consumers, with 51% saving Bonus Gifts coupons. These surveys were in the current test operation area in the Southeastern United States, which represents 10% of all

households in the country.

The broad interest shown by the surveys has encouraged the sixteen manufacturers of participating brands to consider an expansion of the program during 1970 to an area encompassing another 15% of the country's households.

Market Compilation and Research

Bureau — Direct selling to consumers can be person-to-person (a Tupperware home party or Vanda Beauty Counselor visit) or via mail. Market Compilation and Research Bureau offers a service to the direct-selling-by-mail field providing "best prospect" names for the direct mail companies. This form of marketing and advertising is growing rapidly as an offset to increasing costs.

MCRB works with the Treasury Department, the Peace Corps and over 500 other civic and commercial institutions to help them first determine the profile of their present needs or customers, and then supply



audiences matched with similar characteristics from a computer data bank. The result is more efficient sales cost to targeted prospects.

Seamless Division — Seamless, headquartered in New Haven, Connecticut, manufactures sterile disposable hospital supplies, recreational equipment, and industrial rubber products. Latex surgeons' gloves, the most important product in the hospital supply line, are supplemented by sterile prepackaged kits for hospital patients. In addition, a complete line of cotton products is manufactured at Absorbent Cotton Company, a part of the Seamless operation located in Valley Park, Mo.

Early in 1970, Seamless introduced an expanded line of recreational products.

Above, hospital supplies by Seamless. Left, mailing list data retrieval at Market Compilation and Research Bureau.

Financial Statements

Statement of Earnings and Retained Earnings

	1969	1968 (restated)
INCOME:		
Sales and revenues, less returns, allowances and discounts	\$707,489,000	\$647,559,000
Other income	7,175,000	5,097,000
	<u>714,664,000</u>	<u>652,656,000</u>
COSTS AND EXPENSES:		
Cost of goods sold and operating expenses	400,283,000	375,344,000
Selling, distribution, promotional and administrative expenses	189,854,000	172,820,000
Depreciation and amortization	26,652,000	25,098,000
Interest on debt and other obligations	6,507,000	6,678,000
Provision for United States, foreign and state taxes based upon income:		
Taxes payable currently	40,800,000	30,900,000
Tax effect of timing differences	6,100,000	4,700,000
	<u>670,196,000</u>	<u>615,540,000</u>
EARNINGS FOR THE YEAR BEFORE EXTRAORDINARY ITEMS	44,468,000	37,116,000
EXTRAORDINARY ITEMS, NET OF APPLICABLE INCOME TAX	—	294,000
NET EARNINGS FOR THE YEAR	44,468,000	37,410,000
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR	164,287,000	151,130,000
	<u>208,755,000</u>	<u>188,540,000</u>
DIVIDENDS:		
Cash —		
Dart Industries Inc.		
Preferred — \$2 per share	5,910,000	5,655,000
Common — 30¢ per share	5,036,000	4,341,000
Pooled companies, prior to merger or acquisition	108,000	1,084,000
Common Stock, 3%, 487,200 shares at \$39.375 per share paid in March 1969 and 402,200 shares at \$32.75 paid in March 1968	19,184,000	13,173,000
	<u>30,238,000</u>	<u>24,253,000</u>
RETAINED EARNINGS AT THE END OF THE YEAR	\$178,517,000	\$164,287,000
EARNINGS PER SHARE OF COMMON STOCK:		
INCLUDING COMMON STOCK EQUIVALENTS —		
Before extraordinary items	\$ 2.28	\$ 1.86
Net earnings	<u>2.28</u>	<u>1.88</u>
FULLY DILUTED —		
Before extraordinary items	\$ 2.20	\$ 1.82
Net earnings	<u>2.20</u>	<u>1.84</u>

Statement of Financial Position

	1969	1968 (restated)
CURRENT ASSETS:		
Cash and short term securities	\$ 33,330,000	\$ 55,940,000
Accounts and notes receivable	109,384,000	97,719,000
Inventories	145,405,000	115,544,000
Land under development for sale	2,568,000	—
Prepaid expenses	5,731,000	4,441,000
Deferred future income tax benefits	3,950,000	6,250,000
TOTAL CURRENT ASSETS	300,368,000	279,894,000
CURRENT LIABILITIES:		
Accounts payable	48,029,000	38,462,000
Short term loans, foreign	1,335,000	3,625,000
Accrued compensation and taxes thereon	21,975,000	18,514,000
Other accrued expenses	33,617,000	27,570,000
Current instalments of long term debt	6,516,000	2,085,000
Estimated United States and foreign income taxes	17,837,000	14,422,000
Current instalments of discounted rental and land obligations	1,027,000	777,000
TOTAL CURRENT LIABILITIES	130,336,000	105,455,000
WORKING CAPITAL	170,032,000	174,439,000
PROPERTIES, INVESTMENTS AND OTHER ASSETS:		
Properties owned	241,193,000	207,735,000
Properties leased from others	20,351,000	20,327,000
Other receivables, deposits and investments, less reserve	13,832,000	10,974,000
Land and improvements held for development and sale	2,478,000	—
Intangibles	18,727,000	14,008,000
Deferred charges	3,026,000	3,141,000
	299,607,000	256,185,000
WORKING CAPITAL AND ALL OTHER ASSETS	469,639,000	430,624,000
DISCOUNTED RENTAL OBLIGATIONS UNDER CERTAIN LEASES,		
LESS CURRENT INSTALMENTS	21,638,000	21,447,000
NOTES PAYABLE ON LAND HELD FOR DEVELOPMENT AND SALE,		
LESS CURRENT INSTALMENTS	2,417,000	—
LONG TERM DEBT AND OTHER DEFERRED LIABILITIES:		
Long term debt, less current instalments	77,631,000	82,375,000
Deferred income taxes	23,700,000	19,900,000
	101,331,000	102,275,000
TOTAL NET ASSETS REPRESENTING STOCKHOLDERS' EQUITY	\$344,253,000	\$306,902,000
STOCKHOLDERS' EQUITY:		
Preferred Stock	\$ 14,944,000	\$ 14,921,000
Common Stock	21,372,000	20,438,000
Capital in excess of par value	131,071,000	107,716,000
Retained earnings	178,517,000	164,287,000
(Of the 1969 amount, \$25,439,000 is reserved for a 3% Common Stock dividend of 513,900 shares payable March 12, 1970.)		
	345,904,000	307,362,000
Less cost of reacquired shares of capital stock; Preferred—32,500 in 1969 and 7,500 in 1968, Common—5,500 in 1969 and 5,400 in 1968	1,651,000	460,000
TOTAL STOCKHOLDERS' EQUITY	\$344,253,000	\$306,902,000

See accompanying notes to financial statements.

Statement of Capital Stock

	1969		1968 (restated)	
	Shares issued	Amount	Shares issued	Amount
PREFERRED, PAR VALUE \$5.00 EACH				
Authorized, 3,000,000 shares				
Series A \$2 Cumulative Convertible (aggregate liquidating preference in 1969 — \$149,440,000)				
AT THE BEGINNING OF THE YEAR	2,984,300	\$14,921,000	2,957,400	\$14,787,000
Upon exercise of options	5,000	25,000	28,000	140,000
Upon conversion into Common Stock	(500)	(2,000)	(1,100)	(6,000)
AT THE END OF THE YEAR, INCLUDING REACQUIRED SHARES	<u>2,988,800</u>	<u>\$14,944,000</u>	<u>2,984,300</u>	<u>\$14,921,000</u>
COMMON, PAR VALUE \$1.25 EACH				
Authorized, 25,000,000 shares				
AT THE BEGINNING OF THE YEAR	16,350,300	\$20,438,000	15,770,100	\$19,713,000
For stock dividend	487,200	609,000	402,200	503,000
Upon exercise of options	259,500	324,000	176,900	221,000
Upon conversion of Preferred Stock	500	1,000	1,100	1,000
AT THE END OF THE YEAR, INCLUDING REACQUIRED SHARES	<u>17,097,500</u>	<u>\$21,372,000</u>	<u>16,350,300</u>	<u>\$20,438,000</u>

Statement of Capital in Excess of Par Value

	1969	1968 (restated)
AT THE BEGINNING OF THE YEAR	\$107,716,000	\$ 92,957,000
Excess of fair value over par value of Common		
Stock issued as stock dividend	18,575,000	12,670,000
Costs and expenses of mergers	(27,000)	(525,000)
Other credits, principally the excess of option prices over par value of stock options exercised	4,807,000	2,614,000
AT THE END OF THE YEAR	<u>\$131,071,000</u>	<u>\$107,716,000</u>

Statement of Source and Application of Funds

	1969	1968 (restated)
SOURCE:		
Net earnings for the year	\$44,468,000	\$37,410,000
Depreciation and amortization	26,652,000	25,098,000
Provision for deferred income taxes	3,800,000	2,600,000
CASH FLOW	74,920,000	65,108,000
Sale of properties and investments, excluding gain	1,761,000	2,032,000
Exercise of stock options	5,013,000	2,900,000
Notes payable on land held for development and sale	2,417,000	—
Discounted rental obligations under certain leases	191,000	5,118,000
Working capital decrease	4,407,000	—
Other, net	920,000	—
TOTAL FUNDS PROVIDED	\$89,629,000	\$75,158,000
APPLICATION:		
Properties and other assets purchased	\$65,018,000	\$35,097,000
Properties leased from others	1,202,000	5,918,000
Cash dividends paid by Dart —		
Preferred Stock	5,910,000	5,655,000
Common Stock	5,036,000	4,341,000
Cash dividends paid by pooled companies prior to merger or acquisition	108,000	1,084,000
Land operations — contracts receivable and land held for development	6,420,000	—
Working capital increase	—	20,167,000
Net reduction of long term debt	4,744,000	2,327,000
Purchase of treasury stock	1,191,000	—
Other, net	—	569,000
TOTAL FUNDS APPLIED	\$89,629,000	\$75,158,000

Notes to Financial Statements

Details of Statement of Financial Position

	1969	1968 (restated)
Accounts and notes receivable:		
Trade	\$108,912,000	\$ 97,374,000
Other	6,787,000	6,032,000
	<u>115,699,000</u>	<u>103,406,000</u>
Less reserve	6,315,000	5,687,000
	<u>\$109,384,000</u>	<u>\$ 97,719,000</u>
Inventories, at lower of cost (principally fifo or average) or market:		
Raw materials and supplies	\$ 46,094,000	\$ 36,651,000
Work in process	12,709,000	10,080,000
Finished merchandise	86,602,000	68,813,000
	<u>\$145,405,000</u>	<u>\$115,544,000</u>
Properties owned, at cost:		
Land	\$ 7,496,000	\$ 6,439,000
Buildings and building fixtures	99,455,000	83,684,000
Machinery and equipment	252,850,000	218,457,000
Store fixtures, leaseholds and improvements	8,472,000	8,585,000
Construction in progress	15,924,000	14,697,000
	<u>384,197,000</u>	<u>331,862,000</u>
Less accumulated depreciation, provided generally on a straight line basis	143,004,000	124,127,000
	<u>\$241,193,000</u>	<u>\$207,735,000</u>
Intangibles, at cost less amortization:		
Excess of investments in businesses purchased over net assets acquired	\$ 16,378,000	\$ 12,208,000
Patents, licenses and trademarks, etc.	2,349,000	1,800,000
	<u>\$ 18,727,000</u>	<u>\$ 14,008,000</u>
Long term debt, less current instalments:		
Unsecured notes, 4.042% to 5.75%, due in instalments to 1987	\$ 73,515,000	\$ 78,509,000
Other	4,116,000	3,866,000
	<u>\$ 77,631,000</u>	<u>\$ 82,375,000</u>

Basis of Consolidation and Accounting

Principles All significant subsidiaries are consolidated. Accounts of foreign subsidiaries are translated into United States dollar equivalents at appropriate yearend exchange rates except for property accounts

and related items for which historical exchange rates are used.

A summary of amounts related to foreign subsidiaries at December 31 (excluding inter-company accounts) follows:

	1969	1968
Current assets	\$ 56,443,000	\$ 48,755,000
Current liabilities	22,448,000	20,335,000
Working capital	33,995,000	28,420,000
Properties and all other assets	41,465,000	40,004,000
Working capital and all other assets	75,460,000	68,424,000
Long term debt, less current instalments	7,016,000	6,521,000
Net assets of foreign subsidiaries in consolidation	<u>\$ 68,444,000</u>	<u>\$ 61,903,000</u>

Net sales from all operations outside the United States were \$109,757,000 in 1969 and \$101,205,000 in 1968. Undistributed earnings of foreign subsidiaries included in consolidation were \$7,800,000 for 1969 and \$6,200,000 for 1968 and aggregated \$45,503,000 at December 31, 1969.

Dividends of approximately \$900,000 in 1969 and \$3,000,000 in 1968 were received from foreign subsidiaries. Income taxes which may be incurred upon distribution of earnings of subsidiaries are provided when the distributions are made.

During 1969 a merger was consummated which resulted in the issuance of 116,100 newly issued shares of Dart Common Stock. This transaction has been accounted for as a pooling of interests and accordingly the accompanying consolidated statements include the accounts of this business as at December 31, 1969 and for the year then ended. Comparative 1968 amounts have been restated to include the accounts of this business. Certain other acquisitions were made for cash and the results of operations of such acquired businesses have been included in the accompanying consolidated financial statements from the dates of their acquisition. Up to \$3,600,000 may be required to be paid in 1971 in connection with a 1969 acquisition. No additional shares of Common Stock are contingently issuable in connection with any acquisition.

Dart is a 50% owner of a plastics processing corporation and a party to a joint operating agreement whereby it has an undivided 50% interest in plant and other assets relating to the production and marketing of certain petrochemicals. Consistent with prior years, the accompanying statements include 50% of the assets, liabilities, income and costs and expenses of

these jointly owned activities.

Depreciation of property, plant and equipment has been provided on a consistent basis based on the estimated average useful life of the various assets, applied chiefly on a straight line basis excluding fully depreciated assets. Declining balance and guideline depreciation generally are used in the determination of income for tax purposes where applicable.

Properties Leased from Others Dart has recorded as assets the cost of certain properties leased from others subsequent to 1964. The related discounted lease obligations are set forth separately in the accompanying statement of financial position. Dart has no legal responsibility for payments under the terms of any of these leases except for rent, insurance, taxes and maintenance.

These lease obligations are payable approximately \$2,000,000 annually until 1977, then decreasing and continuing at lesser amounts thereafter to 1993. Rentals payable under other leases are shown under commitments and contingencies in a following Note.

Land Development Operations Obligations related to land held for development and sale are shown separately in the accompanying statement of financial position. These obligations are payable, including interest, \$341,000 annually through 1975, \$839,000 in 1976, \$175,000 in 1977 and 1978 and \$609,000 in 1979. Carrying costs, including interest and property taxes, related to land held for development and sale are charged against earnings as incurred.

Income Taxes Dart makes provision for

deferred income taxes and future income tax benefits applicable to all timing differences between book and tax income. The net amount of such provision and the accumulated balances at yearend are shown separately in the accompanying statements. Investment tax credits of \$1,600,000 and \$1,480,000 have been applied to reduce the tax provision for 1969 and 1968 respectively.

Long Term Debt Total principal payments due in the five years subsequent to December 31, 1969 on long term debt are as follows: 1970—\$6,516,000; 1971—\$5,843,000; 1972—\$5,757,000; 1973—\$5,525,000; 1974—\$5,441,000.

Under loan agreements with certain insurance companies \$80,000,000 of the consolidated retained earnings at December 31, 1969 is not restricted as to payment of cash dividends. The agreements impose no restrictions on payment of stock dividends.

Preferred Stock Holders of the Series A \$2 Cumulative Convertible Preferred Stock are entitled to receive \$2 per share annual cash dividends, to one vote per share and, upon any voluntary or involuntary liquidation, dissolution or winding up to receive \$50 per share plus accrued unpaid dividends. Each share of the Preferred Stock is convertible by the holder at any time into Common Stock on a share for share basis appropriately adjusted for stock dividends in excess of 3% or for recapitalization. The Preferred Stock may be called for redemption on and after June 30, 1971 at \$55 per share plus accrued unpaid dividends. Also under certain restricted circumstances such stock may be redeemed in its entirety prior to June 30, 1971.

Stock Options 880,400 shares of Dart

Common Stock are reserved for purchase by officers and employees under a stockholder approved stock option plan. Options for 632,800 shares were exercised prior to 1969. A summary of changes during 1969 follows:

	Options outstanding	
	Shares	Amount
At beginning of year	765,500	\$18,341,000
Adjustment for stock dividend	22,600	
Options granted	217,300	10,334,000
Options exercised	(259,500)	(4,856,000)
Options canceled	(42,000)	(1,351,000)
At end of year	703,900	\$22,468,000

At December 31, 1969 options for 176,500 shares of Common Stock were available for granting.

12,100 shares of Series A \$2 Cumulative Convertible Preferred Stock having an aggregate exercise price of \$644,000 are reserved for options. There is no plan to issue any new Preferred Stock options.

Commitments and Contingencies Minimum annual lease rentals payable, including \$8,569,000 related to transportation and other short-life equipment, and sublease rentals receivable by Dart under other leases and subleases in effect at December 31, 1969 are as follows:

	Minimum annual rentals	
	Payable	Receivable
Leases expiring in		
1970-1974	\$11,682,000	\$ 921,000
1975-1979	2,623,000	641,000
1980-1984	1,331,000	114,000
1985-1989	1,301,000	58,000
After 1989	714,000	—
	\$17,651,000	\$ 1,734,000

Some leases provide for rentals based upon a percentage of sales and many require additional payments for property taxes, insurance and maintenance. Some of the leases above entered into prior to 1965 contain purchase options. Provision has been made for estimated lease losses on properties no longer operated. Information concerning certain capitalized leases is contained in a preceding Note.

Certain lawsuits have been filed against Dart. In the opinion of counsel, none of these suits is likely to result in significant liability.

Capital Expenditures It is estimated that capital expenditures for 1970 will be approximately \$72,000,000.

Retirement Plans Dart Industries Inc. and certain of its United States subsidiaries continued the contributory profit sharing retirement plan established in 1955 covering salaried employees with one or more years of employment with Dart. The aggregate Dart contribution in any year is based upon consolidated income before Federal income taxes, is limited to six percent of the consolidated earnings as defined and cannot exceed the amount deductible for Federal income tax purposes. The computations include net earnings after income taxes of certain divisions whose employees do not participate in the Dart plan, but who participate in previously existing retirement plans which have been continued in effect. The contribution to be made under the Dart profit sharing plan amounted to \$3,225,000 for the year 1969.

Dart and its subsidiaries have several pension plans covering substantially all of their employees, including certain employees in foreign countries. The total pension expense for the year was \$2,800,000

which includes, as applicable, amortization of prior service cost over periods ranging from 20 to 40 years. Dart's policy is, generally, to contribute the pension cost accrued for funded plans and to create accounting reserves for unfunded plans. The actuarially computed value of vested benefits for all plans exceeded as of December 31, 1969 the total of the pension funds and accruals by approximately \$4,300,000.

Incentive Compensation Under the formula incorporated in Dart's 1962 stockholder approved Incentive Compensation Plan for principal officers and key employees, the Incentive Compensation Committee and the Executive Committee of the Board of Directors awarded to 78 principal officers and key employees \$906,000 of the total of \$3,512,000 available for 1969. Payment of \$400,000 of the 1969 awards is deferred until future years in accordance with the provision of this plan.

Pursuant to stockholder authority granted in 1962, various other approved plans are in effect for divisions and subsidiaries of Dart and certain special awards have been authorized for employees not participating in any plan. The above named committees awarded \$3,853,000 to 756 persons in these categories. The total amount available under the plans and inclusive of special awards was \$5,446,000. No principal officers or directors participate in these plans or special awards.

Excess amounts available but not awarded under all plans are not available for future awards and have been included in 1969 consolidated earnings.

Earnings Per Share of Common Stock

During the year Dart adopted the provisions

of Accounting Principles Board Opinion 15 on a prospective basis. Accordingly earnings per share of Common Stock and Common Stock equivalents are based on the weighted average number of shares of Common Stock outstanding during each period increased by the effect of dilutive stock options granted after May 31, 1969 and after giving retroactive effect to stock dividends. Net income attributable to Common Stock is after deducting Preferred dividend requirements.

Fully diluted earnings per share of Common Stock are based on the weighted average shares of Common Stock outstanding during each period, assumption of conversion of Series A \$2 Cumulative Convertible Preferred Stock retroactive to January 1969 (anti-dilutive prior to that date) and assumption of exercise of all dilutive stock options retroactive to the beginning of each period or later dates of grant and repurchase of treasury stock with the proceeds at yearend market prices.

Extraordinary Items—1968 The 1968 extraordinary items consisted of a gain on sale of a subsidiary, \$5,111,000 less applicable income tax of \$2,456,000, and provisions for estimated losses in reorganizing certain divisions of \$5,143,000 less current and future tax benefits of \$2,782,000.

Transactions after December 31, 1969 On January 6, 1970 Dart completed the sale of substantially all of the assets and liabilities of its Riker ethical drug business to Minnesota Mining and Manufacturing Company (3M) for 1,483,489 shares of 3M common stock. The net book value of assets sold aggregated approximately \$32,200,000 at December 31, 1969 and sales and

operating earnings before corporate allocations but after pro forma provision for taxes on income were approximately \$46,000,000 and \$4,300,000 respectively for the year then ended. The agreement with 3M restricts disposition of the 3M stock for periods ranging to over two years. Therefore, the stock has been independently appraised for recognition of gain at \$129,800,000, based on its market value on the closing date less reduction to recognize the restrictions and the costs and expenses expected to be incurred upon ultimate

disposition of the stock. On this basis, the sale will result in an extraordinary gain of approximately \$55,000,000 after reduction for expenses and other costs of the transaction and for applicable United States, state and foreign tax provision of \$36,000,000.

Dart's February 28, 1969 agreement to sell substantially all of the Rexall proprietary and retail drug business to Commonwealth United Corporation terminated in August 1969 as a result of Commonwealth's failure to comply with terms of the agreement. Commonwealth's

claim for return of the \$5,000,000 down payment made to Dart under the agreement was satisfied on January 30, 1970 by Dart's returning \$1,000,000 to and exchanging releases with Commonwealth. The balance of \$4,000,000 retained by Dart, less identified costs and expenses related to the terminated transaction of \$800,000, has not been recorded in income but has been deferred in anticipation of additional costs and expenses arising from non-completion of the sale.

Opinion of Independent Accountants

PRICE WATERHOUSE & CO.

*To the Board of Directors and
Stockholders of Dart Industries Inc.*

In our opinion, the accompanying statements on pages 26 to 33 present fairly the financial position of Dart Industries Inc. (formerly Rexall Drug and Chemical Company) and its consolidated subsidiaries at December 31, 1969 and the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Los Angeles
March 9, 1970

Price Waterhouse & Co.

Ten Year Financial Review

(Dollar amounts in thousands except per share data; stock information relates to Common Stock, unless otherwise indicated)

FOR THE YEAR	1969	1968†
Net sales	707,489	647,559
Income taxes	46,900	35,600
Net earnings before extraordinary items	44,468	37,116
Pro forma Preferred dividend requirements*	5,910	5,945
Net earnings available to Common Stock after pro forma Preferred dividend requirements	38,558	31,465
Per share of Common Stock		
Net earnings**	2.28	1.88
Cash dividends	.30	.30
Stock dividends	3%	3%
Cash dividends paid		
Common Stock	5,036	4,341
Preferred Stock	5,910	5,655
Cash flow***	74,920	65,108
Cash flow per share	4.42	3.89

AT YEAR END

Working capital	170,032	174,439
Properties owned (net)	241,193	207,735
Total assets	599,975	536,079
Long term debt	77,631	82,375
Deferred liabilities	23,700	19,900
Stockholders' equity	344,253	306,902
Shares of stock outstanding		
Common	17,092,000	16,831,700
Preferred (pro forma prior to 1966)	2,956,300	2,976,800
Stockholders		
Common	34,396	35,144
Preferred (pro forma prior to 1966)	5,934	5,947
Employees	29,195	28,106

†Amounts for 1968 have been restated for a merger accounted for as a pooling of interests in 1969.

*Pro forma for years prior to issuance of stock in mergers.

**Includes \$.02 in 1968 and \$.12 in 1964 and is after reduction of \$.13 in 1962, all applicable to extraordinary items.

***Net earnings, plus depreciation and amortization and provision for deferred income taxes.

1967	1966	1965	1964	1963	1962	1961	1960
607,807	561,806	526,773	446,654	401,424	334,909	320,328	304,898
26,600	19,756	28,420	22,027	19,658	11,434	11,844	11,082
35,405	30,635	37,396	27,968	19,704	9,219	12,397	12,006
5,914	5,859	5,897	5,466	5,393	4,707	4,415	4,342
29,491	24,776	31,499	24,347	14,311	2,862	7,982	7,664
1.79	1.52	1.94	1.59	.94	.23	.64	.64
.30	.30	.30	.26 1/4	.25	.25	.25	.25
3%	3%	3%	3%	3%	3%	3%	.3%
3,929	3,670	3,095	2,528	2,318	2,247	2,130	2,002
5,334	2,640						
60,621	54,707	56,185	44,609	36,395	21,706	23,231	20,890
3.68	3.35	3.45	2.90	2.40	1.71	1.86	1.75
153,225	144,463	141,662	133,293	124,128	96,257	80,878	83,514
197,365	181,616	164,927	122,043	104,501	84,783	81,776	58,463
495,024	456,025	418,934	355,331	317,356	261,308	245,257	207,420
84,702	88,188	89,255	81,607	84,276	74,554	64,590	50,996
17,300	15,742	12,640	11,112	10,777	6,452	4,525	2,020
276,597	250,569	230,231	187,957	162,735	129,214	123,796	111,551
16,532,200	16,341,000	16,358,600	15,378,300	15,172,400	12,690,700	12,559,100	12,146,800
2,957,400	2,930,300	2,961,400	2,734,300	2,699,700	2,353,600	2,214,400	2,188,400
33,903	32,370	26,769	23,262	22,217	21,948	21,079	20,287
5,204	4,691	4,770	4,450	4,878	5,207	5,019	3,935
27,699	28,346	25,488	20,889	19,400	16,862	15,759	15,535

Net earnings per share for 1969 are based upon the weighted average number of shares of Common Stock outstanding during the year increased by the effect of dilutive stock options granted after May 31, 1969. Net earnings per share for all years prior to 1969 are based upon the weighted average number of shares of stock outstanding. The shares of stock outstanding and net earnings per share for 1968 and prior years have been adjusted retroactively to give effect to subsequent stock dividends and the 2 for 1 stock split in December 1964.

Fully diluted earnings per share of Common Stock outstanding were \$2.20 for 1969 and \$1.84 for 1968.

Companies and Products

Direct Selling Group

Hamer F. Wilson, *Group Chairman and Chief Executive Officer; Executive Vice President of the Company*
Headquarters — Orlando, Florida

Tupperware Division — Food storage and serving containers, toys

Vanda Beauty Counselor Division — Cosmetics and toiletries

Consumer Products Group

R. D. Ziegler, *Group President and Chief Executive Officer; Vice President of the Company*
Headquarters — West Bend, Wisconsin

West Bend Division

The West Bend Company — Cookware, portable appliances, humidifiers

Thermo-Serv, Inc. — Insulated and non-insulated serving ware

Nappe-Smith Company — Insulated bags and thermal containers

Home Furnishings Division

Syroco — Syroco Canada — Decorative accessories, tables

Babcock-Phillips — Hassocks, cushions, pillows

Reliable Manufacturing — Picture frames, paintings

Chemical Group

Ralph M. Knight, *Group President and Chief Executive Officer; Vice President of the Company*
Headquarters — Los Angeles, California

Polymer Activities (Rexene Polymers Co.)

Polyethylene, Polypropylene and Olefins (Joint venture with El Paso Products Company)

Consolidated Thermoplastics — Packaging film (Jointly owned with El Paso Products Company)

Styrenics — Polystyrene, ABS

Southwest Latex Co. — Styrene-butadiene-latexes

Chemical Specialties Activities

Aztec Chemicals — Organic peroxides and peresters

Fiberfil — Fiber reinforced thermoplastics

PureChem — Titanium trichloride

Wilson Products — Color concentrates

Development and Engineering Activities

Research and Development

Licensing

Facilities Construction

Plastics Group

Donald H. Brewer, *Group President and Chief Executive Officer; Vice President of the Company*
Headquarters — Los Angeles, California

Architectural Products

Ralph Wilson Plastics* — "Wilson Art" decorative laminates, laminated art

Panel Products* — Vinyl clad wall and furniture board

Fabrovin* — Vinyl wall coverings
*Design Coordinated

Packaging

Thompson Industries — Styrene containers

Rexcel — Styrene containers

Thatcher Plastic Packaging — Tubes, closures, seals

White Metal — Collapsible metal tubes

Imco Companies overseas — Plastic bottles

Signs and Leasing

Plasti-Line — National trademark signs

Epcon — Custom signs and leasing; sign facings and components

Specialties and Compounding

American Gasket and Rubber — Aerosol gaskets

Colorite Plastics — Garden hose, compounding

Action Plastics — Extruded specialties

Glass Containers Group

Franklin B. Pollock, *Group Chairman and Chief Executive Officer; Vice Chairman of the Board of Directors of the Company*
Headquarters — New York City, New York

Thatcher Glass — Convenience packaging

Rexall Group

Robert T. Beattie, *Group Chairman and Chief Executive Officer; Vice President of the Company*
Headquarters — St. Louis, Missouri

Rexall Drug Co. — Manufacturing and franchising

Liggett and Drug King — Company-owned drug stores

Rexall Realty — Store financing

Corporate Group

George J. Daly, *Executive Vice President and Treasurer of the Company*
Headquarters — Los Angeles, California

Dart Properties — Land development

Market Compilation and Research Bureau — Direct mail marketing and advertising

Seamless — Hospital supplies and recreational products

Bonus Gifts, Inc. — Continuity gift program (Jointly owned with The Glendinning Companies)

Corporate staff services

Board of Directors and Officers

Board of Directors

Curtis Barkes. Vice President and Director, UAL, Inc.; Executive Vice President, Finance and Property, United Airlines.

Robert T. Beattie. Vice President; Chairman and Chief Executive Officer, Rexall Group.

Russell K. Bolton, Jr. Vice President and General Counsel.

Ernest R. Breech. Industrialist; Director of Lehman Corporation and One William Street Fund, Inc.; formerly Chairman, Ford Motor Company; Honorary Chairman Emeritus, Trans World Airlines, Inc.

Donald H. Brewer. Vice President; President and Chief Executive Officer, Plastics Group.

James R. Brown. President, The West Bend Company.

John C. Cornelius. Director and Member of the Executive Committees of Investors Mutual, Inc., Investors Stock Fund Inc. and Affiliated Funds, Minneapolis.

George J. Daly. Executive Vice President, Finance and Administration, and Treasurer.

Justin Dart. Chairman of the Board of Directors, President and Chief Executive Officer.

William T. Gossett. Last Retiring President, American Bar Association; Counsel to Dykema, Wheat, Spencer, Goodnow & Trigg, Attorneys, Detroit, Michigan; Director of One William Street Fund, Inc., and Twentieth Century-Fox Film Corporation.

Alfred M. Gruenther. General, United States Army (Retired); Former President, American Red Cross; Director of Federated Department Stores, Inc., Pan American World Airways and New York Life Insurance Company, and member of The Business Council.

Joseph Hara. President, Tupperware Home Parties Company.

Ralph M. Knight. Vice President; President and Chief Executive Officer, Chemical Group.

Franklin B. Pollock. Vice Chairman of the Board of Directors; Chairman and Chief Executive Officer, Glass Containers Group.

Stanley M. Rumbough, Jr. President, Rumbough Company; Director of International Flavors and Fragrances, Inc., and Bowmar Instrument.

Holmes Tuttle. President and Director of Holmes Tuttle Enterprises; Director of Trans World Airlines, Inc., Community Bank, Los Angeles and Challenge-Cook Bros., Inc., Los Angeles.

Hamer F. Wilson. Executive Vice President; Chairman and Chief Executive Officer, Direct Selling Group.

Ralph Wilson, Sr. Chairman of the Plastics Group's Architectural Division.

R. D. Ziegler. Vice President; President and Chief Executive Officer, Consumer Products Group.

Officers:

Justin Dart, Chairman, President
and Chief Executive Officer
Franklin B. Pollock, Vice Chairman
George J. Daly, Executive Vice
President and Treasurer
Hamer F. Wilson, Executive
Vice President
Norbert Baillen, Vice President
Robert T. Beattie, Vice President
Russell K. Bolton, Jr., Vice President
and General Counsel
Donald H. Brewer, Vice President
Ralph M. Knight, Vice President
Thomas D. Morris, Vice President
Herschel A. Phillips, Vice President
R. D. Ziegler, Vice President
William R. Palmer, Controller
Edgar O. Thedens, Secretary

Executive Committee

Justin Dart, Chairman
Ernest R. Breech
William T. Gossett
Alfred M. Gruenther
Holmes Tuttle

Audit Committee

Ernest R. Breech, Chairman
Alfred M. Gruenther
Holmes Tuttle

Salary, Incentive Compensation and Stock Option Committee

Ernest R. Breech, Chairman
William T. Gossett
Alfred M. Gruenther

Executive Personnel Committee

Alfred M. Gruenther, Chairman
Ernest R. Breech
John C. Cornelius

Honorary Directors

Earl E. Anderson
Michael E. Kulik
F. Thatcher Lane
James E. Shelton
Mel M. Wilson

Transfer Agents

Morgan Guaranty Trust Company of
New York, New York
State Street Bank and Trust Company,
Boston
Bank of America National Trust and
Savings Association, Los Angeles

Registrars

The Chase Manhattan Bank, New York
The National Shawmut Bank of Boston,
Boston
United California Bank, Los Angeles

Independent Accountants

Price Waterhouse & Co.

For Additional Copies Write:

The President,
Dart Industries Inc.
P.O. Box 3157 Terminal Annex
Los Angeles, California 90054

